For the current year, the target is fixed at Rs. 12,000 crore. Although every effort is made to maximise proceeds from disinvestment through a transparent and open competitive bidding process, the final outcome depends on various factors like market conditions, financial performance of the companies under consideration and their future potential, terms and conditions of sale, interest of bidders, time taken for due diligence by the interested parties etc. Besides, Government does not disinvest in distress to meet any targets whatsoever. Under the circumstances, it has not always been possible to achieve the targets for disinvestment.

Disinvestment of PSEs under Ministry of Coal

1521. SHRI VEDPRAKASH P. GOYAL: Will the Minister of DISINVESTMENT be pleased to state:

(a) whether Government propose to privatise some PSE under the Ministry of Coal;

(b) if so, the details thereof;

(c) the reasons that led to the privatisation of such PSEs; and

(d) the steps taken in this direction?

THE MINISTER OF STATE OF THE DEPARTMENT OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) No, Sir. Currently, there is no proposal to privatise coal sector PSEs.

(b) to (d) Do not arise.

Process and chronology of disinvestment of Air India

1522. SHRI NILOTPAL BASU: Will the Minister of DISINVESTMENT be pleased to state:

(a) whether it is a fact that Government are proceeding with the sale of Air India majority share to some strategic partner;

(b) if so, the details of the process and the chronology of events in course of this process;

(c) whether it is also a fact that virtually the process of bidding led to a single bidder staking its claim;

(d) whether the significance of the reserve price and transparent parameters to arrive assumes paramount importance; and

(e) if so, the details of the process adopted in this regard?

THE MINISTER OF STATE OF THE DEPARTMENT OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) The Government is proceeding with its decision to bring down Government equity in Air India to 40 per cent through disinvestment of 40 per cent of equity of Air India in favour of a Strategic Partner (SP), up to 10 per cent of equity to the employees and the balance (10 per cent) of equity to be sold to financial institutions and/or on the share market.

(b) A Statement indicating the details of the process and chronology of events for Air India is given in the Statement (*See* below).

(c) The process of disinvestment was undertaken in a systematic & totally transparent manner. 9 offers from prospective bidders were received against advertisement inviting Expressions of Interest. 6 out of these parties met pre-qualification criteria of minimum net worth and all these parties were given Bid Packs comprising Information Memorandum (IM), Request for Proposal (RFP), Drafts of Share Purchase Agreement (SPA) and Shareholders Agreement (SHA). 4 out of these 6 parties did not submit the Initial Technical Proposal in response to the Request for Proposal. Thus, only 2 parties who remained in the process carried out due diligence/data room study and submitted comments on the draft Share Purchase Agreement and Shareholders Agreement. The number of bidders in the process of disinvestment of any PSU would depend on the interest of bidders at large for acquiring stake in the particular PSU and the process has got nothing to do with it.

(d) and (e) The significance of the reserve price and transparent parameters for arriving at the reserve price is indeed of paramount importance. The Government, in consultation with various organizations, has put in place a transparent procedure including standardization of nationally and internationally accepted valuation methodologies for arriving at the reserve price. In the case of Air India, apart from the valuation to be done by the Advisors, it has been decided that two other reputed valuers will also be asked to carry out an independent valuation of the Company in accordance with mutually agreed methodologies and the C&AG/CVC would also be requested to approve these methodologies.

Statement

The details of the procedure being followed for disinvestment of PSUs

- Proposals for disinvestment in any PSU, based on the recommendations of the Disinvestment Commission or in accordance with the declared Disinvestment Policy of the Government, are placed for consideration of the Cabinet Committee on Disinvestment (CCD).

- After CCD clears the disinvestment proposal, selection of the Advisors for assisting in the implementation of the disinvestment decision, is done through a competitive bidding process.
- The Advisors assist the Government in preparation and issue of advertisement in leading newspapers/magazines/journals, for inviting Expression of Interest (EOI) from prospective Strategic Partners. In cases of urgency, EOI is prepared by Department of Disinvestment and issued after approval of Inter-Ministerial Group (IMG).
- After receipt of the EOI, Prospective Bidders are short listed, based on objective screening in the light of the announced pre- qualification criteria/requirements.
- The Advisors, after due diligence of the PSU, prepare the Information Memorandum in consultation with the concerned PSU. This is given to the short listed Prospective Bidders, who have entered into a Confidentiality Agreement.
- The draft Share Purchase Agreement or the Shareholders Agreement are also prepared by the Advisors, with the help of the Legal Advisors, and given to the Prospective Bidders for eliciting their reaction.
- The Prospective Bidders undertake due diligence of the PSU and hold discussions with the Advisors/the Government/the representatives of the PSU for any clarifications.
- Concurrently, the task of valuation of the PSU is undertaken in accordance with the standard national and international practices.
- Based on the reactions received from the Prospective Bidders, the Share Purchase Agreement and Shareholders Agreement are finalised and after vetting by the Ministry of Law, they are approved by the Government. Thereafter, they are sent to the Prospective Bidders for inviting the final binding bids (Technical and Financial).
- After examination, analysis and evaluation of the bids, the recommendations of the Inter Ministerial Group (IMG) are placed before the CCD for a final decision regarding selection of the Strategic Partner, signing of the Share Purchase & Shareholders Agreements and other ancillary issues.
- In the disinvestment process mentioned above, Department of Disinvestment is assisted at each State by an Inter Ministerial Group (IMG) comprising officers from the Ministry of Finance, Department of Public Enterprises, the Administrative Ministry/ Department

controlling the PSU, the PSU concerned apart from the officers of the Department of Disinvestment and the Advisors.

- After the transaction is completed, all papers and documents relating to it shall be turned over the Comptroller and Auditor General of India; the CAG shall prepare an evaluation for sending to Parliament and releasing to the public.

The chronology of events in the process of disinvestment in Air India is as under:—

EVENTS	DATES
Disinvestment Commission's recommendation :	August, 1998 (8th Report)
• Government to provide Rs. 1000 crores as equity for financial restructuring ofAir India, which would raise its paid up share capital to Rs. 1154 crores.	
• Simultaneously, Government to initiate process of induction of a strategic partner on the basis of global competitve bids through issue of fresh equity shares of the face value Rs. 770 crores, which would enhance paid-up equity capital to Rs. 1924 crores and will reduce Government holding to 60 per cent.	
• Strategic partner should be a consortium of Airlines and investors, with at least 25 per cent of equity held by Indian investors.The selection of strategic partner should be through global competitive bidding among the pre-qualified bidders. The pre-qualification of bidders to be based on their financial, technical, marketing and managerial capabilities and commitment for AI's fleet expansion.Share holders agreement to provide for appropriate share in the management to the strategic partner.	
• There after, Government to disinvest 20 per cent of total paid up equity capital by offering 10 per cent to domestic institutional investors	

EVENTS	DATES
at the price paid by the highest bidder and the remaining 10 per cent to ~~the retail investors~~ and employees at a discount. Share not taken by retail investors and employees to be offered to domestic institutional investors. Thiswould eventually bring down Government ~~share~~ holding in AI to 40 per cent.	
• Subsequent to the implementation of the above steps, Government and the strategic partner would each hold 40 per cent of the equity capital of AI and the remaining would be dispersed among the domestic institutional investors, employees and the public.	
Recommendation of the Core Group of Secretaries:	26.06.99
Though the recommendations of the Disinvestment Commission were generally agreed to, the existing financial constraints and realities do not permit the Government to infuse Rs. 1000 crores in AI and to follow the exact steps spelt out by the Commission.It was decided that the disinvestment process should begin immediately without waiting for the infusion of funds.The strategic partner to be given management control and modalities to be decided at appropriate time. An Inter Ministerial Group to be constituted for recommending a Global Advisor for assisting in the process of disinvestment.	
Decision of the Government:	26.05.2000
While considering recommendations of Disinvestment Commission, infusion of equity amounting to Rs. 1000 crores was not found feasible in view of prevailing financial position and the following decisions were taken:	

EVENTS	DATES
• Govt. equity to be brought down to 40 per cent through disinvestment process. • 40 per cent of the equity to be disinvested infavour of a strategic partner. • Up to 10 per cent of the equity to be offered to employees. • The balance (10 per cent) of equity to be sold to financial institutions and or on the share market. • Foreign holding to be limited to a maximum of 26 per cent of total equity if the SP is a JV with foreign holding. • Global Advisor to assist in disinvestments process.	
Inter Ministerial Group (IMG) set up under the Chairmanship of Secretary (DOD) with members from Ministry of Civil Aviation, Department of Public Enterprises, Department of Economic Affai s and Air- India [CMD and Director (Finance)]. The composition of the IMG was enlarged later by inclusion of members from Department of Company Affairs, Department of Legal Affairs and Department of Expenditure.	30.05.2000
Selection of Global Advisor:	
Public advertisement issued inviting Expression of Interest from merchant bankers for acting as Global Advisor; last date for receipt of EOI-26.06.2000. Advertisement also released on the website of Air India.	05.06.2000—(The Economic Times, The Financial Express, Business Standard). 10.06. 2000—The Economist (London).
Four parties responded against the advertisement. M/s JM Morgan Stanley Ltd.was selected as Advisor by the IMG on the basis of presentations by the four parties and financial bid.	29th and 30th June, 2000 (presentation by the parties). 18.07.2000 (appointment of M/s JM Morgan Stanley Ltd.)

EVENTS	DATES
M/s Pathak & Associates selected/appointed as Legal Advisor for the transaction by Air India.	23.08.2000
Public advertisement inviting Expression of Interest from Prospective Strategic Partners issued with last date as 10.11.2000 for response.	**First Advertisement** 28.09.2000—Financial Express 28 and 29.09.2000—Business Standard 29.09.2000 and 02.10.2000 — The Economic Times 28-09-2000—The Financial Times (London) **Second Advertisement** 01.11.2000—Financial Express 02.11.2000—Business Standard and the Economic Times 01.11.2000—The Financial Times (London).
Meetings with employees' unions/ representatives:	1st and 2nd December, 2000
In order to dispel anxiety of the employees,the rationale of disinvestment, Minister of State for Disinvestment met the representatives of employees' unions.	
The Minister for Civil Aviation and the Minister of State for Disinvestment again met the representatives of employees' unions.	30.06.2001
Bidders:	
9 offers from prospective bidders were received against advertisement inviting Expressions of Interest.	
6 out of these parties met pre-qualification criteria of minimum net worth (Rs. 10 billion/ US$ 225 million as at the latest audited balance sheet date) and all these parties were given Bid Packs comprising Information Memorandum	5.01.2001 (Bid Packs given to parties). The parties were required to submit Initial Technical

EVENTS	DATES
(IM), Request for Proposal (RFP), Drafts of Share Purchase Agreement (SPA) and Shareholders Agreement (SHA).	Proposal (ITP) in response to the RFP by 23.02.2001 and Comments on the draft SPA/ SHA.
4 out of these 6 parties did not submit the Initial Technical Proposal in response to the Request for Proposal.	
2 parties who remained in the process carried out due diligence/data room study.	During the period from 04.04.2001 and 30.4.2001.
Freezing of SPA/SHA:	
Draft SPA & SHA formalized after due deliberations by the IMG and in the DOD keeping in view the comments from bidders.	20.6.2001 (IMG)
Draft SPA and SHA, as formalized by the IMG, submitted to CGD for approval.	19.6.2001
CGD approval for the draft SPA and SHA with certain comments/observations.	22.06.2001
SPA and SHA finalized keeping in view the comments/observations of CGD as also interactions with the Advisors and submitted for approval of Government for freezing the SPA/SHA for inviting final Technical/ Financial Bids.	02.07.2001
Government *inter alia* approved that two other ruputed valuers be asked to carry out an independent valuation of Air India.	04.07.2001
Issues relating to National Security:	
The Government considered the manner in which public interest including National Security issues could be addressed. It was decided to have security check of all the prospective bidders through the various intelligence agencies of the Government.	November, 2000—July, 2001
Guidelines for qualification of bidders seeking to acquire stakes in PSUs through the process of disinvestment have also been put in place.	13.07.2001

EVENTS	DATES
Meetings of the Inter Ministerial Group(IMG) were held.	31.05.2000, 01.06.2000, 29.06.2000, 30.06.2000, 11.07.2000, 26.07.2000, 31.07.2000, 08.09.2000, 06.10.2000, 09.11.2000, 23.11.2000, 30.11.2000, 08.12.2000, 19.12.2000, 27.12.2000, 23.03.2001, 20.06.2001
Employees Share Purchase Scheme (ESPS):	
The Government has approved a scheme for sale of upto 10% shares to the employees of Air India.	04.07.2001
Asset Valuation for properties in India:	
Valuation of the properties of Air India Ltd.in India has been carried out through a Government approved Asset Valuer selected by a Selection Committee comprising senior officers from Department of Disinvestment, Ministry of Civil Aviation, Department of Public Enterprises, Department of EconomicAffairs, CMD (IA), MD (AI), Representative of AS&FA and L&DO,Ministry of Urban Affairs.	
54 Asset Valuers from different cities were requested to intimate their willingness to be considered for the assignment. 20 parties responded out of which 15 parties made presentations before the Selection Committee. The Asset Valuer was selected on the basis of presentation and financial bid.	26.04.2001 (letter to parties), 09.05.2001(presentation by parties before the Selection Committee).
Asset Valuation of Air India properties abroad:	
Valuation of the properties owned by Air India overseas (London-1, Singapore-2,Mauritius-1, Nairobi-2, Paris-1 and HongKong-2) has been carried out through the Indian Embassies/Consulates in the respective countries.	
In addition to the above properties, valuation of the properties (at London Airport, Chicago Airport,	May-June, 2001

EVENTS	DATES
New York and Barcelona)taken on long term (over 10 Years) rental basis has been carried out through the officers of Air India located in the respectivestations to find out if at all these properties have any realizable market value.	
Valuation of Aircrafts:	
Valuation to determine the fair market value of the fleet of aircraft (including spare engines) of Air India has been carried out through M/s Boeing India of Boeing International Corporation and M/s Airbus Industries.	April-June, 2001
Selection of Registrar and Depository Participant:	
In order to implement the Government decision regarding sale of upto 10% shares to the employees of AI and subsequent sale of10% shares to financial institutions and/or on the share market, it was decided to appoint a Registrar and Depository Participant,who would handle the logistics of transfer of the shares to the employees and others.	
A Selection Committee comprising senior officers from Department of Disinvestment,Ministry of Civil Aviation Department of Public Enterprises, Department of EconomicAffairs, Department of Company Affairs,Representative of AS&FA and the Advisors was constituted for selection of a Registrar and Depository Participant.	
Based on the Prime Data base rankings, the top five Registrars in India, in terms of Number of Public Issues handled during the period April 2000-March 2001, were shortlisted by the Advisors. All the five parties were requested to appear before the Selection. Out of the 5, only 3 parties made their presentations. Selection of the Registrar and Depository Participant was made by the Selection Committee on the basis of presentations and financial bid.	18.06.2001 (letters to parties), 21.06.2001 (presentation and selection).

EVENTS	DATES
Selection of Depository:	
In order to conveniently and economically implement the Government decision regarding sale of upto 10% shares to the employees of AI and subsequent sale of 10% shares to financial institutions and/or on the share market, it was decided to appoint a Depository, who would undertake the necessary steps for dematerialization of shares of Air India.	
The same Selection Committee constituted for selection of a Registrar and Depository Participant was retained for selection of the Depository.	
The only two Depositories in the country,*viz.*, M/s Central Depository Services (India)Ltd. (CDSL) and M/s National Securities Depository Ltd. (NSDL) were requested to appear before the Selection Committee to make their presentations. Both the parties made their presentations. M/s Central Depository Services (India) Ltd. (CDSL) was recommended for appointment as the Depository.	25.06.2001 (letters to parties), 28.06.2001(presentation and selection).

Examination of Samatha case regarding mining lease before disinvestment of BALCO

1523. DR. BIPLAB DASGUPTA: Will the Miniser of DISINVESTMENT be pleased to state:

(a) whether Supreme Court had decided in the Samatha case against giving the mining lease of Government land in scheduled areas to non-tribals;

(b) whether this judgement was kept in view and its implications critically examined before taking the disinvestment decision of BALCO;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE OF THE DEPARTMENT OF DISINVESTMET (SHRI ARUN SHOURIE): (a) The Samatha judgement